New Credit Policy

*60. SHRI K.P. SINGH DEO : Will the Minister of FINANCE be pleased to state :

(a) whether the Reserve Bank of India (RBI) has announced a new credit policy recently;

(b) if so, the salient features thereof;

(c) the date of its declaration and by when the new credit policy is likely to be made effective; and

(d) the steps being taken to ensure the interest rates on loans for anti-poverty and self employment programmes are at minimum rates?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) : (a) to (c). The monetary and credit policy for the second half of 1996-97 was announced by the Reserve Bank of India (RBI) on October 19, 1996. The salient features of the policy are as follows :

(i) Lowering of the Cash Reserve by 2 percentage points between October 1996 and January, 1997 in 4 equal phases of 0.5 percentage point each with effect from the fortnights beginning October 26, 1996, November 9, 1996, January 4, 1997 and January 18, 1997 respectively.

(ii) Lowering of the export credit refinance limits of banks from the fortnight beginning November 9, 1996.

(iii) Raising the target for export credit by 2 percentage points to 12 per cent of net bank credit to be achieved by the end of March, 1997.

(iv) Lowering the ceiling interest rate on term deposits of 30 days and upto one year by one percentage point to 'not exceeding 10.0 percent per annum' effective October 21, 1996.

(v) Rationalisation of the interest rate prescriptions on post-shipment export credit effective October 21, 1996, whereby a larger part of export credit would be required to be provided at lower interest rate.

(vi) Banks are required to announce the maximum spread over Prime Lending Rate (PLR) that they would charge borrowers in the category (with credit limits of over Rs. 2 lakh) to whom PLR stipulations apply. (PLR is the minimum rate applicable to large borrowers with credit limits over Rs. 2 lakh).

(vii) Exemption from selective credit controls for commodities which were subject to the controls, except, buffer stock and unreleased stocks of sugar to sugar mills, with effect from October 21, 1996 has been made. The minimum margins on unreleased stocks of sugar was lowered by 5 per cent effective October 21, 1996. In the case of buffer stock of sugar the prescription of a zero per cent margin would continue.

(viii) Banks have been permitted to provide foreign currency denominated loans to their customers out of their resources under the Foreign Currency Non-Resident (Banks) (FCNR (B) deposit scheme.

(ix) Freeing banks to lay down their own ground rules for consortium lending arrangements.

(x) Extending the coverage of the loan system for delivery of credit and modifying the Scheme to impart more flexibility.

(xi) Allowing banks to purchase shares and debentures in the secondary market within the existing ceiling of 5 per cent of the incremental deposits in the previous year for purchases including from the primary market and through develvement through underwriting and investments in mutual funds.

(d) The lending rate prescriptions to Scheduled Commercial Banks provide for lower interest rates for small loans of upto Rs. 2 lakh. Loans of upto Rs. 25,000/- are required to be charged interest at 12.0 per cent and loans of over Rs. 25,000/- and upto Rs. 2 lakh at 13.5 per cent.

Lending to Priority Sector

387. SHRI MULLAPPALLY RAMACHANDRAN : Will the Minister of FINANCE be pleased to state :

(a) whether any reduction has been recorded in priority sector lending by nationalised banks; and

(b) if so, the detailed comparative figures of priority sector lending by each of the Nationalised Banks during 1993-94, 1994-95 and 1995-96 and the target envisaged for such lending during 1996-97?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) : (a) and (b). The outstanding position of priority sector lending of each of the nationalised banks as on the last Friday of March 1994, March 1995 and March 1996 is given in the enclosed Statement. Reserve Bank of India (RBI) has stipulated a lending target of 40.0 per cent of net bank credit to priority sector. Against this target, the achievements of the nationalised banks for lending to priority sector are 38.82 per cent, 37.37 per cent and 39.14 percent of the net bank credit as on the last Friday of March 1994, March 1995 and March 1996 respectively.